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BOOK REVIEWS.

Der moderne Kapitalismus. By WERNER SOMBART. Leipzig: Duncker & Humblot, 1902. 8vo, 2 vols. pp. xxxiv + 669 and vii + 646.

MR. SOMBART'S *Kapitalismus* is the most considerable essay in economic theory yet made on lines independent of the classical English political economy, by an economist affiliated to the historical school. As is well known, the adherents of the historical method have not until recently entered the theoretical field, except by way of adaptation or criticism of doctrines already in vogue; and where they have made the attempt it has commonly not had substantial results.

Mr. Sombart is not a *Historiker*, although his work shows the training of the "historical method." In standpoint and animus his work blends the historical outlook with Marxist materialism. But his Marxism is very appreciably modified by the spirit of modern, post-Darwinian scientific inquiry; so that the latter element may perhaps be said to predominate. At least no preconceptions of *Historismus* or *Materialismus* are allowed to divert the inquiry from scientific theory, as that phrase is understood in the latter-day work of the material sciences. More than once (as, *e. g.*, Vol. I, p. xxxii) he cautions the reader that the inquiry which he has in hand aims at an explanation of the economic situation in causal terms; although the caution is scarcely necessary for any one who will follow the discussion attentively, which is no difficult or tedious task, since Mr. Sombart is a master of a lucid and cogent style.

The work is as ambitious as any one could desire. Indeed, it has an air of conviction and self-sufficiency at times quite cavalier. It condemns the work of predecessors and contemporaries in such harsh and flippant terms as sometimes to remind one of Marx's vituperative outbreaks. But, again like Marx, a large and ready command of the materials and a tenacious grasp of the many converging lines of his argument save Mr. Sombart's work from the damage which it would otherwise suffer on account of his jaunty self-complacency and his discourteous treatment of those who have the fortune to differ with him. While the work is theoretical throughout, it brings in much of the

material used in a somewhat comprehensive manner. So much so, indeed, as to make these two volumes the most available general guide to the materials of the subject. At times the argument comes near losing itself in an excess of illustrative detail, such as had better been dealt with in monographic form apart from the theoretical development. A more serious weakness of the book is an excess of terminological innovation. There is throughout an uncontrolled *penchant* for discarding definitions and distinctions already familiar to economic students and substituting for them new terms and distinctions that are not always more serviceable than those which they displace. And new distinctions are also multiplied with unnecessary alacrity ; so that the new categories are not always useful to Mr. Sombart, and it is very doubtful if many of them will be of service to any one else. No doubt, some, perhaps most, of the new categories that are of a general character and a broad bearing are necessary to the argument and constitute a substantial theoretical advance ; but, also no doubt, a great part of the fine-drawn distinctions elaborately worked out and designated without apparently serving any theoretical end might advantageously have been left out. It is within the mark to say that if excessive detail of classification and such materials as are of the nature of collateral only had been omitted, the substance of the two volumes might conveniently have been brought within the compass of one.

The two volumes already published are but the beginning of a comprehensive systematic work, eventually to be completed in some three or four additional volumes. So that any present appraisal of the work as a whole must be taken as provisional only, so far as regards its adequacy for the theoretical purpose at which it aims. But as regards its scope and character these two volumes afford a sufficiently unequivocal indication. It is a genetic account of modern capitalism ; that is to say, of modern business enterprise, as an English writer might phrase it. Vol. I, on "The Genesis of Capitalism," traces the origin of modern business enterprise from the small beginnings of the Middle Ages, through the handicraft and petty trade of early modern times, down to the full-grown capitalistic enterprise as it came to prevail in industrial business in the course of the nineteenth century. Vol. II, on "The Theory of Capitalistic Development," is occupied with "The Modern Foundations of Business" (Book I), "The Reorganization of Business Traffic" (Book II), and "The Theory of Business Competition" (Book III). These three books of Vol. II deal with the present situation, that is to say, the

situation as it stands since capitalistic enterprise has come to dominate industrial business.

Characteristic of Mr. Sombart's point of view and significant of the aim of his inquiry is the careful distinction with which he sets out (chap. i), between business (*Wirtschaft*) and industry (*Betrieb*).

Betrieb ist Arbeitsgemeinschaft; Wirtschaft ist Verwertungsgemeinschaft. Es liegt mir viel daran, diese Unterscheidung zwischen Wirtschaft und Betrieb zu einem sicheren Besitzstande unserer Wissenschaft zu machen, da ich ihr, wie sich im folgenden zeigen wird, eine grosse Bedeutung für die richtige Beurteilung des Wirtschaftslebens beimesse.

Accordingly, it is the genesis and the ramifications of that modern form of business enterprise called "capitalism" that the inquiry pursues; and it does not concern itself with diversities and changes of the mechanical methods of industry, except so far as they condition or are conditioned by the methods and aims of business. In tracing the genesis of capitalistic enterprise there are two main factors of the development to be accounted for: the accumulation of capitalizable funds (Book II, Part II), and the rise of the spirit of business enterprise (Book II, Part III). Capitalizable funds, Mr. Sombart finds, gradually accumulated toward the close of the Middle Ages in the hands of the landed gentry, particularly such of the nobility as held urban real property. To the growth of accumulations in the hands of the landless merchants of the towns he assigns an altogether secondary importance. A great, perhaps the decisive, auxiliary of this landed property was the influx of the precious metals. This new supply of money at the same time tempted to investment in adventures of the commercial kind by holding out large chances of gain, as it also familiarized men with the notion of trafficking for increase of wealth rather than (as had been the case) for the means of a decent livelihood.

The capitalistic spirit, the habit of mind involved in diligently seeking gain for gain's sake, was new when the modern era set in; and its gradual spread and ultimate dominance in the economic life of the western nations is a phenomenon which not only itself needs explanation, but which is conditioned by, and in turn conditions, the habits of life, the institutions, the industrial methods, and the methods of business traffic of these nations. Mr. Sombart's inquiries on these heads run chiefly on German ground. He looks to the early German situation primarily, and to the growth in those communities (particularly Italian) with which the early German business community stood in

close relations. And it is from the German situation outward that his investigations chiefly run in working out the course of business growth. In so looking to Germany (and Italy) as the quasi-independent "area of characterization" of modern business enterprise, it is scarcely to be doubted that Mr. Sombart is following a mistaken lead. It need not, certainly it cannot, be disputed that both in Germany and in Italy, on the transition from mediæval to modern times, business enterprise flourished both in commerce, banking, and industry; that the transition was effectively made, from the mediæval spirit of handicraft and petty trade carried on for a livelihood and governed by corporate regulations designed to safeguard a livelihood, to the modern spirit of capitalistic investment for a profit, governed by some measure of free contract and presuming freedom of competition. This early start on the continent might be taken to signify that modern business enterprise took its rise from these continental cultural areas, and that it embodies the spirit of their traditions, and rests on their institutional substructure. But to that view there are two counter considerations to be offered. As it is notorious, among students of these matters, that business enterprise arose and rapidly grew great within these continental communities, so it is also notorious that it presently decayed and all but disappeared from among those nations when the era of politics, wars, and church dissensions set in. Those communities carried over into the new era that dates from the late eighteenth century nothing in the way of a business spirit or business tradition that is at all comparable with what the English community then had to offer. The question of how much the English community may have borrowed from continental examples of business methods and the like, is not much to the point, since the conditions out of which modern business enterprise has arisen prevailed in such effective force in the English community that nothing more substantial than an acceleration of the growth could be ascribed to the continental influence. "Materialistic" as his bias is, Mr. Sombart is not inclined to rate an inquiry into chronological precedence high as compared with the economic causes at work, the conditioning circumstances out of which this modern institutional fact of business enterprise has arisen. And so far as regards these decisive circumstances, material and cultural, the English situation in that late modern time to which current business enterprise takes back was favorable to business, whereas the continental situation was then decisively unfavorable. The circumstances favorable to the growth of business principles had in very great

measure disappeared from the continental, particularly the German and Italian, situation, so that it was only during the course of the nineteenth century, and only under the tutelage of that modern spirit of business and mechanical technology that spread outward from the English-speaking community after the Napoleonic era, that these countries again fell into line and recovered the degree of development which they had lost a couple of centuries earlier.

These considerations go to say that the connection of the present situation with the past, in point of continuous growth, is to be sought within the English-speaking communities, and that any historical study of the antecedents and character of modern business enterprise had best be directed to the British development. These considerations are strongly backed by Mr. Sombart's own answer, in the second volume, to the question: "What were the forces which created modern business enterprise?" There is neither place nor occasion here to follow out in detail the solution of this question, for that would require a recital of the substance of the second volume, but it is worth while in this connection to point out what is said in Book I of this volume on the institutional and material foundations of modern business enterprise and to call to mind that these institutional and material conditions are of British derivation and are not found in their best development outside of the English-speaking communities. This Book I, on "*Die Neubegründung des Wirtschaftslebens*," comprises these chapters: "*Das neue Recht*," "*Die neue Technik*," and "*Der neue Stil des Wirtschaftslebens*." The substance of the chapter on "*The New Legal Basis*" may be summed up in a few words. It is the system of natural liberty; that is to say, in its economic bearing, inviolability and equality of property rights, freedom of contract, free competition. This institutional foundation of business enterprise is embodied in the English common law; it was worked out on British ground, gradually, from the time of the Tudors; it is to be found ingrained in the common-sense of all English-speaking peoples and prevails nowhere else in anything like the same degree of consistency and tenacity. Institutionally speaking, the British natural-rights development affords the only practicable foundations for a consummate business life, and the other peoples of western Europe are on this head borrowers and imitators of the British, driven in good part by the exigencies imposed by British competition. In proportion as the institutional situation in any of these neighboring communities departs sensibly from the British natural-rights pattern, they are handicapped

for the business purpose. Those who (practically) come nearest the British pattern, as, *e. g.*, Germany, are most fortunately placed for purposes of business enterprise.

So also as to the material, the technological basis of business enterprise. The industrial revolution, which brought in the technology of the machine process and so laid the material foundations of modern business, is, of course, broadly an English fact — whatever fragmentary technological elements the English community may once have borrowed from southern Europe. And from the time when the modern machine industry got under way the lead in this matter has remained with the English-speaking peoples. It is only in the immediate present, and then doubtfully, that other than the English-speaking peoples have come into the first rank as creative factors in industrial technology. The aptitude, or the habit, of consecutive and aggressive thinking in terms of the machine process is by no means confined within the limits of English speech, but the boldest and widest prevalence of this habit of materialistic thought lies within those limits; and this habit of mind is the spiritual ground of the modern technology. That its prevalence, or its vogue, should roughly coincide with English speech and English institutions need not bring surprise, since an analysis of its character and derivation will show that it comes of the same range of cultural factors that have given rise to the characteristically English institutions.

It is on this institutional and technological ground that modern business traffic rests, and it is accordingly not a matter of surprise that business methods and business enterprise—*der neue Stil des Wirtschaftslebens*, as Mr. Sombart calls it—have reached their freest swing and their maturest expression among the English-speaking peoples. And it is to be regretted that Mr. Sombart's masterly analysis of the growth and the current phenomena of business enterprise should not have taken the British and American situation as the typical, central body of the development, by comparison with which the ramifications of business enterprise through the rest of the industrial world are best to be appreciated. Instead of this he has chosen as his immediate subject of inquiry the, essentially outlying, business community of Germany, and has taken account of the main (English) line of growth only by way of qualification. The result is a slightly more roundabout discussion, a slightly less clear insight into the working of the mechanism, a slightly less true perspective in the presentation, than might have been had from a more fortunately chosen historical point of departure.